

PRESS RELEASE

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Improved market brings contracting profit growth

Leading national construction and mining services group Watpac Limited (ASX: WTP) has today announced a consolidated statutory net profit after tax of \$11.5 million for the financial year ended 30 June 2015 (FY14: \$17.9 million) and a consolidated underlying net profit after tax of \$17.9 million (FY14: \$18.4 million). Included in this result was a 30 per cent increase in pre-tax profit from Watpac's contracting businesses (FY15: \$33.7 million; FY14: \$25.8 million).

The strong performance from the contracting businesses was offset by a comparatively lower contribution from the Mining & Civil business. A \$9.1 million non-cash pre-tax impairment on the Group's residual property assets lowered the statutory results. The divestment process continues for these remaining assets.

Key FY15 highlights:

- Revenue of \$1.22 billion (FY14: \$1.20 billion).
 - Contracting revenue of \$929 million (FY14: \$857 million).
 - Mining and Civil revenue of \$284 million (FY14: \$288 million).
- Contracting segment pre-tax profit of \$33.7 million, a 30 per cent increase on the comparative period (FY14: \$25.8 million).
- Mining and Civil segment pre-tax profit of \$9.4 million (FY14: \$15.2 million).
- Strong cash position with \$183 million in cash and term deposits as 30 June 2015.
- Aggregate work in hand of \$1.4 billion.
- After review of capital management initiatives an on-market share buy-back will be introduced in place of a final dividend.

Commenting on the results, Watpac Chair Richard McGruther said this year's result shows the success of the Group's strategies to build a stronger business and explore opportunities in improving economic conditions.

"The contracting business has substantially increased profitability thanks to an improved market and a strategic approach to our activities," Mr McGruther said.

"We have also maintained a solid profit contribution from the Mining & Civil business which illustrates the capabilities of this business even amidst difficult operating conditions.

"As a whole, FY15 is reflective of the Group starting to achieve its strategic objectives, with improved profitability, the delivery of an enhanced financial position and strengthened client relationships.

"The property impairments recognised in FY15 were disappointing but required to meet the assessed current market value for the Group's remaining property assets, which aligns to the continuing divestment strategy."

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Healthy balance sheet

Watpac's financial health improved markedly over FY15 with net cash increasing by almost \$36 million to \$151 million. This movement primarily reflects the aggressive repayment of equipment finance debt during the financial year and the elective repayment of approximately \$10 million in plant and equipment funding as part of a major debt refinancing completed in May 2015.

The Board has reviewed various approaches to returning surplus capital to investors. With the lack of available franking credits, an on-market share buy-back of up to 18.6 million shares has been introduced as it was seen as the most efficient approach to provide shareholder value. The Board will continue to explore capital management initiatives to enhance shareholder value, with flexibility to consider other strategic options maintained with the on-market share buy-back.

Building on its already strong financial position, the Board is focused on the maintenance of a healthy balance sheet as Watpac looks to compete for more projects where financial strength is a barrier to entry.

National delivery focus strengthens workbook

Watpac Managing Director Martin Monro said the profitability of the Contracting businesses aligns with an improvement in market conditions and the successful execution of a number of strategies that are aimed at enhancing financial returns through a targeted selection of projects and a more integrated national delivery method.

"The contracting business continues to build on its reputation for delivering quality outcomes," Mr Monro said.

"The Group currently has a total construction forward order book of almost \$1.2 billion across a number of sectors which not only utilise the strong capabilities of our workforce and resources in a considered and measured approach, but brings about opportunity to deliver innovation and excellence for our clients.

"The Group's Mining & Civil business continues to deliver profit despite difficult conditions, and has recently converted several contracts with highly respected industry clients.

"The Mining & Civil business has focused on quality outcomes for our clients and with four new contracts secured during the reporting period, our strategy has shown that a strong focus on relationships, local networks and operational excellence are valued despite a challenging market.

"Our workbook now reflects desired projects with valued clients and despite difficult conditions the business is in good position for continued profitable project delivery across the sector.

"At a Group level, our efforts remain firmly focused on safety, operational excellence and enhancing our competitive positioning to create long-term, sustainable value and growth.

"We remain confident of our strength in contracting, and we will continue to explore opportunities in the resources sector as they come to market."

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Note to editors: Watpac is a leading national construction and mining services group with operations in all mainland States and Territories. We have been listed on the Australian Securities Exchange since 1985 and have offices in Brisbane, Sydney, Melbourne, Adelaide, Perth, Townsville and Port Macquarie. More information is available at www.watpac.com.au.

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